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ABSTRACT

This report is written to address the informational void of literature explaining the cause of the conflict, rather than cooperation, existing between the CETA (Comprehensive Employment and Training Act) and ES (Employment Service) systems. It also touches on the reasonableness of ES and CETA operating similar but separate systems. One section is devoted to brief histories of the two systems. Another section on the question of whether the systems are duplicate or different cites these significant differences: policy, planning, administration, and programming. The section on barriers to coordination lists the following barriers and describes their impact on relationships between CETA and ES: confusing and conflicting rules, turf issues (programmatic boundaries of agencies, power and political relationships, lack of commitment to each other's goals, maintenance of identity, and distrust of one another's motives), goal incongruence and role confusion. It is concluded (1) that the conflict normal under these circumstances may be productive in terms of increased accountability and efficiency fostered by competition and (2) that the possibility of coordination is raised under favorable circumstances, which are, however, the exception. (YLB)

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CETA Prime Sponsors vs. Employment Service:

Why the Conflict?

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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I. Executive Summary

An informational void exists on the anomaly between the assumed relationship of CETA and the Employment Service (ES) and the diminished staff years purchased by CETA prime sponsors. Relevant current literature and the author's experience are examined in regard to the structure and relationships of the two systems over time.

A section is devoted to the question of whether the ES and CETA systems are duplicate or different? The conclusion drawn is that for the four main facets of coordination: policy, planning, administration, and programming and their key elements, significant differences exist in the systems. They do not duplicate each other and, in fact, are so divergent as to make cooperation difficult and conflict common.

Systemic barriers to coordination: confusing and conflicting rules, turf issues, goal incongruence and role confusion were examined as key barriers. Other barriers, of course, exist. The observation drawn is that the barriers are prevalent and when coupled with the differing natures of the system, obfuscate DOL's goal of coordination. Conflict is normal under these circumstances. It may also be productive in terms of increased accountability and efficiency fostered by competition.

In the Conclusion the possibility of coordination is raised under certain favorable circumstances. However, favorable climates are the exception.

II. Introduction

Copious documents have been written extolling and exhorting cooperation between CETA prime sponsors and the Employment Service (ES). Current literature emphasizes the advantages to prime sponsors in working closely with ES, an emphasis based on assumptions about the congruent nature of CETA and ES objectives and systems. Typical of the literature which encourages the Employment Service link to CETA is the CETA-SESA Guide issued in 1975 by the U.S. Department of Labor's Manpower Administration. The following quotations from the "Guide" illustrate the importance DOL assigns to contracting with ES:

> "Preeminent in every such catalogue of agencies whose capacity must be taken into account in any plan for manpower, anywhere in the U.S., is the most experienced and most widespread manpower agency funded by the Department of Labor --- the network of offices in the system of State Employment Security Agencies...
>
> 'It is the intention of the Assistant Secretary of Manpower that every possible encouragement be given to prime sponsors and SESAs to work together in close relationships in providing manpower services to local communities'." (The emphasis in both quotes is the author's.)

These statements demonstrate the prevalent assumption that CETA and ES are two like-minded systems sharing common goals and services. CETA prime sponsors are expected to purchase rather than provide services. DOL anticipates a close working relationship will be mutually beneficial. The anticipated advantages can be summed up in terms of increased efficiency and effectiveness in placing persons in jobs. Duplication, competition and overlap, all negatively charged terms, are expected to be eliminated or curtailed.

For various reasons, these expectations have not come to fruition. In fact, considerable conflict rather than cooperation exists between the CETA and ES systems.

In contrast with the large amounts of literature justifying and encouraging cooperation between the two systems, very little has been written to explain the cause of this conflict or the reasonableness of ES and CETA operating similar but separate systems. Competition is as likely as cooperation when equity and efficiency considerations collide as they do in the ES-CETA relationship.

"CETA Prime Sponsors vs. Employment Service: Why the Conflict?," is written to address this informational void. To this end, the report examines the two systems, their histories, congruencies and differences, and their barriers to coordination. In conclusion the report outlines, for possible future study, situations in which cooperation may be rewarding to ES, CETA, and the unemployed.

It is the author's purpose with this report to lessen conflict by making expectations for coordination more realistic. The report is intended to be exoteric to members of the employment and training community. Improved relations should come from increased understanding. Competition need not be negative but may instead increase efficiency.

Decision makers may be assisted by this report as they consider the proposed Wagner-Peyser Act rewrite, CETA oversite hearings, and welfare reform. Since these legislative initiatives involve a great deal of definition of roles and relationships between ES and CETA, issues outlined in this report may contribute to a greater understanding of the two systems and facilitate realistic assessment of future relationships.

The author examines expectations for coordination from the point of view of a CETA prime sponsor's staff person. In addition to a review of much of the current literature relevant to the subject, it is the result of the author's thirteen years experience in employment and training programs. This experience was gained in a Community Action Agency; a Concentrated Employment Program; a State Cooperative Area Manpower Planning (CAMPS) office; the Wisconsin Governor's Manpower Office; and more recently, the state agency Department of Industry, Labor and Human Relations, responsible both

for the State Employment Security Agency and the Wisconsin Balance of State CETA Prime Sponsor. The author's experience includes administration of and planning for programs funded under the Manpower Development and Training Act, Economic Opportunity Act, Emergency Employment Act, and the Comprehensive Employment and Training Act.

Opinions expressed and conclusions reached in this report are solely the author's.

III. A Short History

Nineteen hundred thirty-three marked the beginning of today's state/federal public employment service. Created by the Wagner-Peyser Act, ES was used extensively to recruit for public relief projects funded to combat the depression. Subsequent to the depression era ES functioned as a labor exchange. World War II saw a temporary ES federalization and channeling of workers into the war industries. In the post war period ES had an important role in reintegrating returning veterans to peace time jobs. The emphasis then returned to ES's primary focus over its history, job matching until the 60's.

President Johnson's War on Poverty programs of the mid and late 1960's found the Employment Service involved in the Human Resource Development (HRD) concept. The Manpower Development and Training Act of 1962, as later amended, designated the ES as presumptive deliverer of HRD services to the disadvantaged. Equity considerations were to be preeminent. Since 1972, Employment Service's mandate has returned to that of a labor exchange intermediary. Matching the most qualified worker to the available job order is the foremost responsibility.

The Comprehensive Employment and Training Act (CETA) was initially passed in the latter part of 1973, forty-two years after Wagner-Peyser Act passage. While not comprehensive, CETA incorporates employment and training programs formerly funded under the Manpower Development and Training Act, the Economic Opportunity Act, and the Emergency Employment Act. CETA was passed to create a comprehensive, decentralized, decategorized series of locally operated employment and training programs. Local governments for the first time have control of employment and training funds. Relatedly, no presumptive deliverers of service are designated by the Act.

Even in the absence of presumptive deliverers, Congress and the Administration anticipated and desired a high level of coordination between local government CETA prime sponsors and former deliverers of services including the Employment Service. Key words and phrases from the Comprehensive Employment and Training Act of 1973 such as, "fully integrated", "cooperation", "eliminate conflict; duplication and overlapping", "most effective and economical manner", and "comprehensive" all indicate Congress' desire for a coordinated system.

CETA has significantly expanded in scope and appropriations since 1973. It also has become increasingly categorized and centralized. However, much of CETA's original design including local government authority remains.

The U.S. Department of Labor Employment and Training Administration (ETA) has attempted to expand upon Congress' mandate in the area of cooperation of the employment and training service continuum. ETA's efforts have especially centered on the Employment Service. Various means to accomplish a CETA - Employment Service marriage have been utilized. These include issuance of a CETA - SESA Guide on ways to work together, CETA - ES model demonstrations, issuance of a CETA-WIN Guide, CETA Work Incentive Program model demonstrations, required agreements, provision of CETA guidance to the Employment Service, invitations of ES personnel to CETA training, etc. In 1976-77 improvement of the relationship of CETA - ES linkage was a major ETA goal. In FY '79 improvement of the relationship remains an ETA initiative.

Not all ETA efforts have been directed toward a voluntary marriage. Prime sponsors have, on occasion, been directed to arrive at agreements with the Employment Service. For instance, during the Public Service Employment expansion under the Economic Stimulus Package prime sponsors were required to have cooperative agreements with ES. A similar situation exists under the Targeted Jobs Tax Credit.

Provisions of the Code of Federal Regulations currently require or nearly require financial or non-financial agreements between CETA and ES. Examples of requirements favoring ES contracting from the April 3, 1979 Code of Federal Regulations include the following: "Each prime sponsor shall appoint to its planning council (a representative from the)...employment service"; "the prime sponsor's master plan will include: A comprehensive analysis of the local labor market and economic conditions, using existing agencies such as Employment Service, a description of the methods for coordination between the prime sponsor and the state employment security agency, and a description of arrangements for implementing responsibilities under Targeted Jobs Tax Credit program"; "consideration shall be given to making use of appropriate services from agencies such as the Employment Security Agency"; "each prime sponsor shall enter into a written cooperative agreement with the State Employment Security Agency, this agreement to include coordination with Wagner-Peyser activities, coordination of employer contacts, responsibility relating to allowance payments, and listing of public service employment positions"; "coordination with ES on veterans service"; and "coordination with WIN."

As a rule efforts to require coordination have not been successful. CETA: Manpower Programs Under Local Control, succinctly summarizes the outcome of past cooperative efforts when it states that, "The unsettled relationship between the Employment Service and prime sponsors is particularly troublesome." In spite of all efforts and expectations of the Congress and the Administration, there has been

a proportionate decline in Employment Service involvement in CETA. According to the Employment and Training Report of the President - 1976, from FY '74 to FY '75 the level of ES staff years declined by 794, almost 12%. A sample of 66 prime sponsors conducted by ETA and reported in CETA: Decentralization on Trial covering 1975 to 1976 indicated 30% of the sampled prime sponsors funded Employment Service to do less services than in CETA's first year while only 9% funded ES to do more services.

A reversal in the trend of decreased prime sponsor's usage of Job Service was projected in the 1976 President's report. The reversal did occur during FY '76 when ES staff years exceeded FY '74 by seven-tenths of a percent (.7%) or 49 staff years. However, CETA appropriations more than doubled between FY '74 and FY '76, from $2,266 million to $5,742 million. In real terms the service level of ES in CETA plummeted in FY '76. Table 1 graphically illustrates the relationships from FY '74 through FY '76.

Table I
ES Staff Years Contracted
With CETA Prime Sponsors
Versus CETA Allocation Levels
In Fiscal Years 1974-1976

Fiscal Year	ES Staff Years	Percent Change*	CETA Appropriations In Millions	Percent Change*
1974	6,680	-0-	$2,265.6	-0-
1975	5,884	(12)	3,742.8	64
1976	6,729	.7	**5,741.8	253

*Base FY '74
**Excludes transition quarter
Table data gathered from CETA: Manpower Progams Under Local Control

Only 62% of prime sponsors contracted with ES in 1979 according to an April 6, 1979 U.S. DOL white paper entitled "In Partnership with Business."

Given the Employment Services' long history of providing employment services, virtual hegemony prior to the 1960's, presumptive delivery status under CETA's predecessor, the Manpower Development and Training Act, apparent similarity of mission to CETA's, nationwide system of 3,000 local offices, and Congressional and Administrative emphasis on cooperation, why the reduction in service levels?

IV. Duplicate or Different Systems

In order to come to grips with the systemic relationship of the Employment Service and CETA prime sponsors, an understanding of the concept of coordination, what it does and does not mean, is essential.

This section of the report draws heavily upon Manpower Program Coordination, a special report of the National Commission for Manpower Policy, now the National Commission for Employment and Training Policy. While this report was issued in 1975, it remains the paradigm on the subject.

Coordination according to the special report is the process of identifying the goals and/or objectives held in common by the delivery agencies. Once the commonality of mission, purpose, goals or objectives is established, the process proceeds to review the mix, sequence, and magnitude of service delivery. Manpower coordination has four major facets requiring examination, according to this process definition: policy, planning, administration and programming.

In the rush to coordinate, cooperate, link, avoid duplication and increase efficiency, critical examination of the process and products of manpower coordination has been incomplete. Assumptions and misunderstandings about the nature of manpower coordination have led to the creation of public policy and administrative requirements which may demand too much and thereby have a counter-productive impact. It is, therefore, necessary to understand what coordination does not mean. It does not mean: a) one common objective for all human resources and social welfare program, b) one social program, and c) an end to all duplication.

The latter point on duplication, since it appears to fly in the face of conventional wisdom, bears some elaboration.

Duplicate is defined as "either of two things that exactly resemble or correspond to each other." Very often accusations of manpower duplication refer to two things that resemble each other rather than things that exactly correspond. The mere presence of two agencies providing placement services, intake services or counseling services, for instance, does not necessarily indicate duplication in the negative sense of two services precisely the same. While the services resemble each other, significant differences in effectiveness, cost per unit of service, timeliness, location, receptivity of the participant population, purpose, etc., may exist.

A pluralistic approach to placements must be retained. This fact is confirmed by two recent policy statements found in Wagner-Peyser: Time for a Change published June 1979 by the National Council on Employment Policy and a recent evaluative report published by the National Academy of Sciences.

Congress, the Department of Labor, and outside evaluators have repeatedly emphasized the value of coordination between Prime Sponsors and the Employment Service. This emphasis is partly predicated on the assumption that the CETA and ES systems largely duplicate each other because they appear convergent or congruent in many of the four major facets of manpower coordination: policy, planning, administration, and program. But, is this basic assumption valid or do the systems simply resemble each other?

Following is a table which contrasts many of the key elements of Employment Service and CETA operations. The basis for comparison are the factors of coordination plus key elements.

Table II
CETA Prime Sponsors
vs. Employment Service
on Coordination Facets

FACETS	CETA ELEMENTS	EMPLOYMENT SERVICE ELEMENTS
A. Policy	1. Participant eligibility based on low income long-term unemployment. (Discretionary)	1. Everyone eligible. (Entitlement)
	2. Forms of unemployment addressed: structural primarily, also cyclical.	2. Forms of unemployment addressed: frictional primarily, also cyclical and structural.
	3. Employe oriented.	3. Employer oriented.
	4. Target Groups: first priority most severely disadvantaged in terms of length of unemployment and prospects for job; also special disabled veterans, Viet Nam era veterans, public assistance recipients, women, offenders, limited English speaking, handicapped, single parents, displaced homemakers, youth, older workers, persons lacking education credentials, minorities.	4. Target Groups: first priority veterans; also handicapped, migrant and seasonal farm workers and youth.
	5. Goal is to provide training and employment opportunities to increase earned income of economically disadvantaged, unemployed or underemployed persons. (Equity)	5. Goal is to attain direct placements. (Efficiency)
B. Planning	1. Mandated to coordinate with all parts of of employment and training system especially Job Service.	1. Encouraged to coordinate.
	2. Largely decategorized funding.	2. Highly categorized funding.
	3. Elaborate plan requirements.	3. Limited plan requirements.
	4. Required citizen input to plan.	4. No required citizen input.
	5. Constantly changing mandates.	5. Relatively stable mandates.
	6. Planning largely bottom up.	6. Planning largely top down.
	7. Local.	7. Central

FACETS		CETA ELEMENTS	EMPLOYMENT SERVICE ELEMENTS
C.	Administration	1. New bureaucracy founded in 1971.	1. Mature bureaucracy founded in 1933.
		2. Decentralized administration	2. Administration centralized at Federal/State level.
D.	Programming	1. Buyer of services.	1. Seller of services.
		2. Funded on basis of needs formula including poverty and unemployment.	2. Funded on basis of placement performance.
		3. Programs include wide spectrum: OJT, Classroom Training, PSE, Work Experience, counseling, intake, support services, job development and placement.	3. Intake, testing, counseling, and placement services.
		4. Wholly voluntary participation on supply side.	4. Largely mandatory supply side participation, e.g., unemployment compensation, WIN, and Food Stamps.
		5. Voluntary demand side participation.	5. Some demand side mandatory participation, i.e., government contractors.
		6. Program design largely decategorized	6. Program design largely categorized.
		7. Active job matching	7. Passive job matching.

Table II is intended to be illustrative of the two systems rather than all inclusive. It is recognized, for instance, that while Employment Service is employer oriented in the main, it also operates employe focused programs such as the Work Incentive Program (WIN). CETA, while employe oriented, must bear in mind employers as the demand side of the equation. Other examples could be offered, but suffice to say that the statements broadly describe the organizations and their primary elements.

It is clear from the table that the prescribed congruent nature of CETA and the Employment Service is more mirage than reality. While there are similarities in the missions, target groups, and available services, there are more differences. For example, Table II indicates both systems have placement programs; however, divergent policy goals (equity-efficiency) are critical in determining the character of needs and type of placement programs. Contrary to popular assumptions, the systems are more divergent than they are congruent or convergent; the systems are aptly described as parallel.

Coordination of two organizations which are very different is in many cases not feasible. Coordination by definition requires commonality. Differences in some cases makes coordination undesirable. A forced marriage of divergent systems profits neither agency nor the unemployed. It results in conflict and the inefficiency that was supposed to be eliminated. Competition can lead to greater effectiveness in both systems; it also substantially increases accountability.

An example of conflict caused by divergent goals and target groups can be found in further examination of placement services coordination.

As mentioned in a previous section, during the 60's Employment Service was swept up into Human Resource Development (HRD) as part of the Great Society programs. This involvement came hand in hand with the Manpower Development and Training Act, the Economic Opportunity Act and other War on Poverty Programs. ES was thrown into trying to solve the unemployment problems of the "hard core" unemployed. This short lived thrust into Human Resource Development was not generally popular with ES! During this time equity took precedence over efficiency in Employment Service activity and referrals. State and local offices were required to refer the disadvantaged to openings when other more employer-acceptable persons were also available for referral. In addition, services to HRD persons were more time consuming. A number of state and local offices believe this period, with its emphasis on referral of disadvantaged persons, caused the ES to slip in esteem in the eyes of the employer community. Interestingly, ES placements peaked at 6.6 million in 1966 versus 4.6 million, a peak for the 1970s, accomplished in 1978.

The employer community is of central importance to the ES system; the primary goal of which is job matching efficiency. One of five major findings in Review of Region V Metropolitan ES Placement

Operations prepared in 1978 is that job orders are processed without specific accountability to employers' satisfaction. Employers' satisfaction is recognized as the key to job matching productivity. A major recommendation of the report is that operations and procedures be modified to obtain maximum employers' satisfaction. Employer satisfaction and target group conflict between ES and CETA is amply demonstrated by the following quotes from ES personnel interviewed as a part of the Region V Review: "Get rid of junk, non-productive work such as registering Food Stamps, and Unemployment Compensation, General Assistance applicants. If these people want to look for work through our office they will contact us." "Programs such as CETA simply confuse and clutter the office with very poor applicants. Quality applicants won't spend the time to sit and wait for service. They will go to the employers on their own for work. Why should they wait while we dispense 'welfare' jobs."

Because acceptance by the employer is so critical to performance as a labor market intermediary, Employment Service may be required to down play equity considerations. A decision may be made, for instance, not to enforce mandatory listing requirements with federal contractors, for fear that the affected business may, through their contacts, jeopardize ES's position with the employer community.

In part, because of the Human Resource Development experience, and concern over the effects of "welfare jobs" on employer satisfaction, many state and local offices are now reluctant to contract for job development for CETA programs aimed at the disadvantaged. There is, however, willingness to treat CETA participants as a part of the regular pool; there to be referred to compete with other candidates. At the ES policy maker level more than willingness exists; CETA systems do not desire to have other than ES do placement.

Even where ES does not wish to contract for job matching services or to provide at no charge job matching services beyond regular Wagner referral service, ES objects to any other agency providing placements for CETA. This objection is in part based on turf protection. Additionally, there is a concern that CETA funded placement agencies will cut into the 5% of all jobs currently filled by ES. The 5% was reported in Job Seeking Methods Used By American Workers prepared and issued by the U.S. DOL, Bureau of Labor Statistics in 1975. In short, competition is not welcomed.

If ES does accept a CETA contract for placement, however, Wagner-Peyser placement credit is lost for the purchased placements. This is a strong disincentive, as will be illustrated later in the report. Employment Service, while it may not want to contract for job development and job placement, may contract for these services for bureaucratic and political reasons. A contract accepted so reluctanly is often not consummated.

Conflict is the logical outcome of failure by ES to perform on a CETA placement contract. The prime sonsor views the situation as ES excuse making: "Placement is not possible during periods of high unemployment since the disadvantaged can't compete with the many highly qualified persons who are also unemployed. During times of low unemployment, the disadvantaged can't be placed because only the virtually unemployable, the lumpen proletariat, remain unemployed." When is the magic moment in the business cycle when the disadvantaged can be placed, the CETA prime sponsor is led to facetiously ask.

Experience and theory have indicated that ES job matching alone, the passive system of referral of the unemployed to an employer with a job order on file, is an insufficient intervention in the demand-supply for labor equation. The employers' attitude is likely to be greatly influenced by the race, sex, age, handicapped or offender status, sporadic work history resultant from entrapment in the secondary sector, etc., of the applicant. Passive attempts at job matching for these persons will, regardless of human capital investment, frequently be fruitless at least in the primary sector, as employers select applicants whose characteristics are desirable to the employers. ES referral efforts without accompanying active job placement interventions largely explain placement failures in economic good and bad times. CETA prime sponsors can end up placing persons themselves relying on self-placements or purchasing the service other than from ES.

In most areas structural unemployment is related to some glutted occupations. In other areas there is demand deficient unemployment. In both cases CETA and Employment Service may actually be competitors, not complimentors. CETA, with its legislative emphasis on equity in the work force, must compete with the employer efficiency orientation of Employment Services.

As can be seen, although there is seeming similarity in the placement objectives of CETA and ES, prime sponsors may have to purchase the placement service elsewhere or provide it themselves in order to facilitate CETA equity considerations. In the case of placement, coordination may be clearly undesirable and will often cause friction if forced. The unemployed do not benefit from such situations.

V. Barriers to Coordination

From Section IV can be seen significant differences exist in policy, planning, administration and programming between the Employment Service and the Comprehensive Employment and Training Act. These systems appear similar to those who don't look closely but in reality they are quite different.

In addition to the systemic differences between CETA and the Employment Service, there are barriers to coordination. Northwestern University, at the request of the Departments of Labor, Health, Education and Welfare, and the Environmental Protection Agency, did

an investigation in 1976 of the problems effecting linkages in the delivery of employment and training services. The Midwestern study identified 14 categories of barriers most often cited by employment and training practitioners. In order, the six barriers that ranked highest were: 1) confusing and conflicting regulations, 2) communication methods, 3) planning cycle problems, 4) turf, 5) information lack, and 6) goal incongruence/role confusion.

Manpower Program Coordination mentioned earlier, identifies the same issues. It does not identify turf as an issue per se, although turf considerations are tied to several identified issues. For instance, local decision making authority. Representatives at the local level of state or federal agencies often cannot or will not make decisions affecting local area coordination.

How real are these identified barriers as they relate to CETA and the Employment Service? Indications are they are very real.

The following is a review of selected barriers and their impact on relationships between CETA and ES.

1. Confusing and conflicting rules serve as a significant reason for tension between personnel in the two systems. For instance, a person in WIN suspense (transfer) to a CETA program who subsequently is placed by CETA does not, under WIN's rules, represent a WIN placement. Because public assistance recipients are a required target group under CETA, they are sought out for a high level of participation. WIN operators, however, will tend to refer to CETA only those persons whose barriers to employment are so severe that very little immediate possibility of placement exists. WIN recipients whose employment prospects are judged good are held out of CETA to obtain WIN placement credit. Services offered by CETA that would benefit a WIN recipient is therefore denied because of placement credit rules.

   This situation increases the likelihood of tension and conflict between CETA prime sponsors and WIN personnel. The prime sponsors are thwarted in their attempt to enroll public assistance recipients and provide what they may feel are the best range of services offered. Additionally, the prime sponsors become disenchanted with the quality of the WIN referrals.

   At the same time, WIN personnel resent the interference of the CETA prime sponsor. They see the CETA process as slowing down their mandate to efficiently place WIN participants into employment. WIN emphasizes rapidity of placement with minimal interventions. For denying WIN placement credits, CETA is rightly viewed as a threat. Discussion of WIN's programmatic fold into CETA under welfare reform heightens tension. Thus, coordination is not only directly hampered by the WIN regulations, but relationships can become so negative as to totally preclude cooperation. This will have to be a major issue in the proposed Title II-E of CETA.

A similar issue surrounds the Wagner-Peyser Resource Allocation Formula (RAF) by which regular ES activities are funded. RAF is based on placement volume. Placements by ES of CETA participants which are paid for through a financial agreement with the prime sponsor do not constitute a placement in the RAF. Consequently, while ES might otherwise be anxious to be CETA's placement arm, it is reluctant because of the formula to contract for the service. Where no contract exists, commitment to CETA's goals are often lacking.

An interesting and possible counterbalancing twist on the RAF is that ES can get credit for placements into CETA subsidized employment programs such as public service employment, work experience, on-the-job training, and the summer youth employment program. If the arrangement between the prime sponsor and ES is such that ES has a notification of openings, makes referrals and is informed of hires, placement credit is claimed. This may mean thousands of placements for ES and increased Wagner-Peyser funding.

In testimony at the Wagner-Peyser Oversight Hearings March 31, 1979, in Los Angeles before the subcommittee on Employment Opportunities, the California ES director said the RAF is the most important factor in discouraging the ES from cooperating with other deliverers of Employment and Training services, particularly CETA prime sponsors. This is because the question of who will get the federal credit becomes the primary concern rather than how joint resources can best be used to help the unemployed person. As long as the RAF is effective it will distort the work of the Employment Service.

2. Turf issues address programmatic boundaries of agencies, power and political relationships, lack of commitment between agencies to one another's goals, maintenance of identity, and distrust of one another's motives. Relationships between the employment service and prime sponsor are ripe for and rift with turf conflict.

Prime sponsors newly created under CETA are anxious to prove their worth in any national employment strategy. Therefore, prime sponsors tend to be very identity conscious. There has been little time available, relatively speaking, to establish the prime sponsor as a key source of employment and training. A natural tendency, therefore, exists for the prime sponsor to operate programs directly rather than subcontract or to channel funds to newly established organizations that are seen as non-threatening to the prime sponsor's identity. Employment service as an old line agency may be viewed as threatening to the prime's identity. Within a prime sponsor sample by the National Research Council, 17 of 24 prime sponsors were directly operating programs. The high level of primes performing direct delivery of services was not originally anticipated.

As a buyer of service, the prime sponsor is often suspicious of the seller of a service, sometimes with justification. Mistrust is not limited to the entrepreneurial system where profit is the motivator. It is also found as a turf concern in the public sector. Public sector concerns revolve around efficiency and diversion of resources rather than profit and loss. More than one prime sponsor has accused ES of "ripping them off" when it felt that services the prime sponsor paid for were going to some non-CETA purpose such as Wagner-Peyser, WIN, or food stamps activities. More than one ES director has launched the same accusation when costs of a service for CETA were greater than the grant.

Related to questions of resource diversion is the "added cost" concept. CETA prime sponsors often contend that services provided by ES should be free to CETA participants and covered under Wagner-Peyser funding. Attempts by both DOL and the Employment Service to explain the added cost of ES services for CETA participants are often not accepted by the CETA prime sponsor.

Additionally, prime sponsors sometimes deliberately initiate turf battles in part to develop competition for a service and thereby avoid ES monopalistic tendencies. A prime sponsor's encouragement of an agency other than ES to provide placement is viewed with jaundiced eye by the employment service. This view is translated into accusations of duplication.

Employment Service on its side will occasionally attempt to prevent the delivery of a service by another agency for political or bureaucratic turf considerations. Placement services is the prime example of this; ES tends to view the delivery of placement by any other agency as an <u>invasion</u> and a <u>duplication</u>.

Since ES has held a hegemony in the employment and training field, it may view <u>almost any service</u> offered by a prime sponsor or other delivery agency as an incursion into its domain. Community Action Agencies, SER, OIC, Urban League, the prime sponsor, etc., are viewed as mere upstarts in a field where ES can boast 45 years of experience.

3. <u>Goal incongruence and role confusion</u> constitute an additional barrier. Goals are often diffuse and only sometimes congruent. Subsequent confusion arises over the most appropriate role for each agency. An example of goal incongruence and role confusion surrounds the placement goal, an issue explored earlier in this report. To summarize, both systems have placement goals at the heart of their existence, but in many cases that is the point of divergence rather than convergence. The following statements outline the placement goal incongruence.

   a. Employment Service's primary goal is the matching of persons to job openings. This is essentially an efficiency issue tied closely to employer satisfaction.

b. CETA is not intended to work with persons likely to be directly placeable; that is Employment Service's area of responsibility. Emphasis on direct placement by a CETA prime sponsor is arguably duplication.

c. CETA is to work with those persons who need remedial services such as work experience, classroom training, on-the-job training, or public service before they are competitive in the labor force or who suffer from discrimination. These persons are disproportionately the young, the old, minorities, women, the handicapped, offenders, etc. Job development and placement are critical services. CETA equity is a foremost consideration. Satisfaction of the formerly unemployed is the key.

Since it is often far from clear what factors cause a given person to be unemployed, e.g., structural, cyclical, frictional, secondary labor market, discrimination, etc. confusion frequently exists over which system can best serve the unemployed person's needs.

In summary, barriers to coordination between the two systems are prevalent and, when coupled with the differing nature of the systems, obfuscate DOL's goal of coordination. Forced relationships under these circumstances are counterproductive and produce conflict rather than cooperation. The resultant inefficiences lead to ineffectiveness in placing the unemployed.

VI. Conclusion

Why the conflict is the theme of this report. In short, this report concludes that conflict arises out of the divergent nature of the Employment Service and CETA, the barriers to coordination between the system, the public policy forced relationships, and the actual need under certain circumstances to compete for limited jobs.

Coordination between the Employment Service and the CETA local government prime sponsor in the form of CETA contracted services or non-financial arrangements are in many cases not as fruitful as has been assumed. The systems are at least as divergent or parallel as they are duplicate. Significant differences exist in all facets of operation: policy, planning, administration and programming.

The barriers to coordination between the systems are real. Primary barriers include turf, goal incongruence and role confusion, and confusing and conflicting regulations.

Coordination may be counterproductive to either party and more importantly to the unemployed. The Employment Service office which throws itself into Human Resource Development sacrifices its level of placements in favor of equity. Employers, because of their assumptions about certain segments of the unemployed, may in fact

be turned off to ES by the equity efforts of the agency and place less orders and fill fewer vacancies through ES referrals. In a system funded on the basis of the Resource Allocation Formula, less efficiency means less placements, less placements means less funding, and less funding means less placements. A vicious cycle is formed.

The CETA prime sponsor, which depends upon ES for all placements, typically has efficiency considerations prevailing. Placement rates and quality of placements for affirmative action groups, such as women, minorities and handicapped, will lag behind those of white, non-handicapped males. An adverse impact situation is likely to arise. This result is primarily due to the hiring practices of employers rather that is to a failing on the part of ES to refer. CETA must focus on artificial barriers if it is to be a successful program. Its placement program must include activities in addition to or different from those normally available through ES in order to address this focus. Job development for individuals is a critical service ES is not often willing to do more than job matching through referral.

This report has dealt primarily with the reasonableness of separate systems and the liklihood of conflict where coordination is mandated. The question of when coordination is appropriate has not thus far been given consideration. This should be the subject of further research.

Part of the groundwork on when is it reasonable and effective for CETA and Employment Service to work together has been done and reported on by the Urban Institute, Washington D.C., in The Employment Service: An Institutional Analysis issued in 1977.

The report identifies "optimizing" employment service agencies as those which have placement performance above that which would be expected given their economic environment. Urban Institute field work indicates that optimizing agencies are characterized by:

> "A clear and consistent sense of mission with placement the primary objective.
>
> 'Innovative and entrepreneurial leadership.
>
> 'An open internal atmosphere and considerable lateral and upward communications.
>
> 'Wide supervisory span of control and few organizational levels.
>
> 'Considerable delegation of responsibility to service delivery agencies.
>
> '"Lean" district and central office staffing.
>
> 'Dispersal of service delivery staff into many small offices.
>
> 'Close and informal relations with employers."

CETA prime sponsors' relationship with ES offices will benefit if they are with optimizing agencies. Unfortunately, the Urban Institute found that two out of three optimizing ES agencies were little used in CETA Balance of State operations.

The study further found that the relationship between ES and CETA was best where the economic environment was favorable. The Urban Institute observed that in areas with favorable economies CETA's mission and the Employment Services were congruent. Both emphasized placement. Where unemployment was high CETA prime sponsors were seen to follow the HRD concept while most ES agencies still stressed the central mission of job placement.

While not disagreeing with the report's observation that CETA and ES have the most favorable relationship where economies are most healthy, the author does disagree with the hypotheses that CETA relates only to an HRD orientation in distressed areas. CETA's mission is inexorably related to both HRD and placement. CETA's purpose involves not just increasing earned income and maximizing employment opportunities, but also includes providing training and employment opportunities by establishing a flexible, coordinated and decentralized employment and training system. Emphasis on the Human Resource Development is not as the anlaysis would purport, to minimize the importance of placement as the ultimate objective. The improved relationship between the systems in sound economies is probably more closely linked to employer demand than differences in orientation. In an area with high demand for labor, persons normally passed over become in demand as the employer must go further down the queue of unemployed in order to fill his or her openings.

Urban Institute research indicates that in addition to the economic environment, three main determinants affected a prime sponsor's decision about the role of ES:

1. "The prime sponsor's own definition of its role and purpose.

2. 'Its assessment of the ES's ability to advance these purposes.

3. 'The relative influence of the ES and competing service - delivery agencies such as CBOs."

While prime sponsor performance assessment tends to be at a rather infantile stage, it does allow for identifying overall placement rate as well as placement rates by target group.

The Urban Institute's analysis indicates that in a prime sponsor's funding decision a major factor is whether ES is a credible placement agent for selected target groups.

It is likely that the three factors identified in The Employment Service: An Institutional Analysis are among the most important in CETA and ES determining their relationship to each other and to the unemployed.

In areas where the economy is sound and unemployment rates low, the ES is maximizing, employers demand for labor is high, and missions are held in common; ES and CETA may have a mutually rewarding relationship. For other areas, and they seem the majority, it is better to recognize the parallel nature of the systems rather than to require cooperation and coordination at the expense of one or both systems which results in conflict and negative consequences to the unemployed. Few, if any, areas exist where the needs of the unemployed, underemployed, discouraged workers, and other job seekers do not greatly exceed the resources of all available systems. This fact was brought out in a recent statement by Secretary of Labor, Ray Marshall. Additionally, competition may lead to efficiency. Freedom to choose the more appropriate deliverer may lead to greater employe and employer satisfaction. Clearly, freedom to choose exists for the employer and the non-poor as there are a plethora of public and private job matching/placement agencies.

AB/a
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